

**FINANCIAL REPORT
ST. IGNACE TOWNSHIP
MACKINAC COUNTY, MICHIGAN
March 31, 2004**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name St. Ignace Township	County Mackinac
Audit Date 3/31/04	Opinion Date 6/16/04	Date Accountant Report Submitted to State: 8/21/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hill, Schroderus and Co., LLP			
Street Address 923 Spring Street, P.O. Box 695		City Petoskey	State MI
Accountant Signature <i>John F. Hill</i>		ZIP 49770	
		Date 8/21/04	

**ST. IGNACE TOWNSHIP
FINANCIAL STATEMENTS
Year Ended March 31, 2004**

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FINANCIAL SECTION



Hill • Schroderus & Co., LLP
Certified Public Accountants & Consultants

June 16, 2004

Township Board
St. Ignace Township
Mackinac County, Michigan

Independent Auditors' Report

We have audited the accompanying general purpose financial statements of St. Ignace Township, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of St. Ignace Township as of March 31, 2004, and the results of its operations and the changes in cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2004, on our consideration of St. Ignace Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as additional information in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Township. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

**ST. IGNACE TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
March 31, 2004**

	Governmental Funds		Proprietary Fund
	General	Special Revenue	Enterprise
<u>Assets</u>			
Cash	\$ 288,557	\$ 280,903	\$ 1,098
Taxes receivable	7,669	8,662	-
Due from other governmental units	4,915	-	-
Due from other funds	206,845	-	-
Property, plant, and equipment	-	-	215,871
Total assets	<u>\$ 507,986</u>	<u>\$ 289,565</u>	<u>\$ 216,969</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	\$ 1,909	\$ -	\$ 10,124
Note payable	85,000	-	-
Due to other funds	-	-	206,845
Due to other governmental units	759	-	-
Total liabilities	<u>87,668</u>	<u>-</u>	<u>216,969</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for road improvement	-	248,255	-
Reserved for recreation	-	10,799	-
Reserved for liquor control	-	213	-
Unreserved:			
Designated	-	30,298	-
Undesignated	420,318	-	-
Total fund equity	<u>420,318</u>	<u>289,565</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 507,986</u>	<u>\$ 289,565</u>	<u>\$ 216,969</u>

See accompanying notes to financial statements.

Fiduciary Fund Trust and Agency	Account Group General Fixed Assets	Totals (Memorandum Only)	
		2004	2003
\$ -	\$ -	\$ 570,558	\$ 510,265
-	-	16,331	12,438
-	-	4,915	-
-	-	206,845	195,660
-	142,612	358,483	347,433
<u>\$ -</u>	<u>\$ 142,612</u>	<u>\$ 1,157,132</u>	<u>\$ 1,065,796</u>
\$ -	\$ -	\$ 12,033	\$ 12,284
-	-	85,000	85,000
-	-	206,845	195,660
-	-	759	655
<u>-</u>	<u>-</u>	<u>304,637</u>	<u>293,599</u>
-	142,612	142,612	141,491
-	-	248,255	194,767
-	-	10,799	21,130
-	-	213	140
-	-	30,298	31,367
-	-	420,318	383,302
<u>-</u>	<u>142,612</u>	<u>852,495</u>	<u>772,197</u>
<u>\$ -</u>	<u>\$ 142,612</u>	<u>\$ 1,157,132</u>	<u>\$ 1,065,796</u>

**ST. IGNACE TOWNSHIP
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004**

			Totals (Memorandum Only)	
	General	Special Revenue	2004	2003
Revenues:				
Taxes	\$ 39,641	\$ 45,082	\$ 84,723	\$ 80,737
Federal revenues	-	21,470	21,470	10,068
State revenues	77,108	792	77,900	85,366
Local revenues	20,296	-	20,296	20,295
Charges for services	2,688	-	2,688	-
Interest	5,381	4,295	9,676	14,437
Other	2,384	2,561	4,945	3,608
Total revenues	147,498	74,200	221,698	214,511
Expenditures:				
Legislative	4,143	-	4,143	3,260
General government	69,090	-	69,090	78,993
Public safety	35,771	2,720	38,491	31,185
Public works	6,853	18,979	25,832	77,656
Recreation	-	10,611	10,611	9,977
Total expenditures	115,857	32,310	148,167	201,071
Excess of revenues over expenditures	31,641	41,890	73,531	13,440
Fund balances beginning	383,302	247,675	630,977	632,561
Prior period adjustment	5,375	-	5,375	(15,295)
Fund balances, ending	\$ 420,318	\$ 289,565	\$ 709,883	\$ 630,706

ST. IGNACE TOWNSHIP
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

	General Fund		
	Budget	Actual	Over/(Under) Budget
Revenues:			
Taxes	\$ 30,000	\$ 39,641	\$ 9,641
Federal revenues	-	-	-
State revenues	82,000	77,108	(4,892)
Local revenues	20,200	20,296	96
Charges for services	-	2,688	2,688
Interest	10,000	5,381	(4,619)
Other	-	2,384	2,384
Total revenues	142,200	147,498	5,298
Expenditures:			
Legislative	4,300	4,143	(157)
General government	87,600	69,090	(18,510)
Public safety	38,200	35,771	(2,429)
Public works	12,100	6,853	(5,247)
Recreation	-	-	-
Total expenditures	142,200	115,857	(26,343)
Excess (deficiency) of revenues over expenditures	-	31,641	31,641
Fund balances, beginning	383,302	383,302	-
Prior period adjustment	-	5,375	5,375
Fund balances, ending	\$ 383,302	\$ 420,318	\$ 37,016

See accompanying notes to financial statements.

Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Over/(Under) Budget	Budget	Actual	Over/(Under) Budget
\$ 59,000	\$ 45,082	\$ (13,918)	\$ 89,000	\$ 84,723	\$ (4,277)
-	21,470	21,470	-	21,470	21,470
720	792	72	82,720	77,900	(4,820)
-	-	-	20,200	20,296	96
-	-	-	-	2,688	2,688
4,100	4,295	195	14,100	9,676	(4,424)
5,150	2,561	(2,589)	5,150	4,945	(205)
68,970	74,200	5,230	211,170	221,698	10,528
-	-	-	4,300	4,143	(157)
-	-	-	87,600	69,090	(18,510)
2,620	2,720	100	40,820	38,491	(2,329)
64,100	18,979	(45,121)	76,200	25,832	(50,368)
13,000	10,611	(2,389)	13,000	10,611	(2,389)
79,720	32,310	(47,410)	221,920	148,167	(73,753)
(10,750)	41,890	52,640	(10,750)	73,531	84,281
247,675	247,675	-	630,977	630,977	-
-	-	-	-	5,375	5,375
\$ 236,925	\$ 289,565	\$ 52,640	\$ 620,227	\$ 709,883	\$ 89,656

ST. IGNACE TOWNSHIP
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
Year Ended March 31, 2004

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Charges for services	\$ -	\$ -
Operating expenses :		
Maintenance	-	-
Wages and expenses	-	-
Supplies and miscellaneous	-	-
Depreciation	-	-
Amortization	-	-
Total operating expenses	-	-
Operating income (loss)	-	-
Non-operating revenues		
(expenses):		
Tap-in and hook-up fees	-	-
Interest income	-	-
Interest expense	-	-
Total non-operating revenues (expenses)		
Net income (loss)	-	-
Retained earnings, beginning	-	-
Retained earnings, ending	<u>\$ -</u>	<u>\$ -</u>

ST. IGNACE TOWNSHIP
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
Year Ended March 31, 2004
Increase (Decrease) in Cash

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers	\$ -	\$ -
Cash payments to suppliers for goods and services	-	-
Cash payments to employees for services	-	-
Net cash provided by (used in) operating activities	<u>-</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Operating transfers in from other funds	-	-
Interfund loan proceeds	<u>11,185</u>	<u>86,800</u>
Net cash provided by (used in) non-capital financing activities	<u>11,185</u>	<u>86,800</u>
Cash flows from capital financing activities:		
Acquisition and construction of capital assets	(10,260)	(86,764)
Capital contributed by customers	-	-
Cash provided by miscellaneous non-operating activities	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(10,260)</u>	<u>(86,764)</u>
Cash flows from investing activities:		
Interest earned	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	925	36
Cash at beginning of year	<u>173</u>	<u>137</u>
Cash at end of year	<u><u>\$ 1,098</u></u>	<u><u>\$ 173</u></u>

See accompanying notes to financial statements.

ST. IGNACE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
Year Ended March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Ignace Township operates under an elected Board of Trustees and provides services to its residents in many areas including fire protection, public safety and improvements, planning and zoning, recreation and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity," these financial statements present St. Ignace Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

The accounting policies of St. Ignace Township conform to generally accepted accounting principles as applicable to governments. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies:

A. Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues collected and expenditures/expenses paid, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Property taxes are being collected for the specific purposes of recreation, and road repair.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds are used to account for construction and operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues collected, expenses paid, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Fund Accounting - Continued

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Fixed Assets Account Group - This account group presents the fixed assets of the Township utilized in its general operations. General fixed assets purchased are recorded as expenditures in the General Fund at time of purchase. In establishing the General Fixed Asset Account Group, the Township used the fair market value of the assets. No depreciation has been provided on general fixed assets.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds of the Township are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets and expenditures are generally recognized when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

C. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an appropriation act.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year, and lapse at year-end.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

E. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable available financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. Fixed assets purchased and used in governmental fund type operations (general fixed assets) are recorded as expenditures in the General Fund at the time of purchase.

The General Fixed Asset Account Group is not a "fund." It is concerned only with the measurement of financial position, and is not involved with the measurement of results of operations.

F. Total Column on Combined Statements - Overview

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

G. Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds have been shown on the categorical basis of appropriation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended March 31, 2004 the Township incurred expenditures in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Water/Fire Hydrant	\$ 1,900	\$ 2,000	\$ 100

NOTE 3: CASH

A. Insured Deposits

At March 31, 2004, the carrying amount of the Township's deposits was \$570,558 and the bank balance was \$578,775. Of the \$578,775 bank balance, \$127,533 was covered by federal depository insurance. The remaining \$451,242 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

B. Pooling of Cash – The Township pools cash to maximize its investment return.

<u>Fund</u>	<u>Pooled Cash</u>
General	\$108,559
Liquor Control	213
Road Improvement	180,533
Recreation	<u>10,799</u>
 Total pooled cash	 <u>\$300,104</u>

NOTE 4: PROPERTY TAX

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied in December and are payable from December through February 14. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental unit's taxes and remittances of them to units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to State Headlee and Truth-in-Taxation provisions, to levy taxes up to \$1.5 per \$1,000 of assessed valuation for general governmental services and \$2 per \$1,000 of state equalized valuation for voted road improvements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4: **PROPERTY TAX – CONTINUED**

The tax rates for the year ended March 31, 2004 are as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>
General governmental service	\$1.4391 per \$1,000
Road improvements	\$1.9624 per \$1,000

NOTE 5: **TAXES RECEIVABLE**

Taxes receivable shown on the General and Road Improvement Funds balance sheets include the remaining outstanding real property taxes from the 2003 levy.

NOTE 6: **PROPRIETARY FUND TYPE PROPERTY, PLANT AND EQUIPMENT**

A summary of proprietary fund type property, plant and equipment at March 31, 2004, follows:

Construction in Progress	\$215,871
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Additions are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Upon completion, depreciation will be calculated on each class of depreciable property using the straight-line method.

NOTE 7: **CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Land	\$ 550	\$ -	\$ -	\$ 550
Building	129,349	-	-	129,349
Equipment	<u>11,592</u>	<u>1,121</u>	<u>-</u>	<u>12,713</u>
Total	<u>\$141,491</u>	<u>\$ 1,121</u>	<u>\$ -</u>	<u>\$142,612</u>

NOTE 8: **INTERFUND RECEIVABLES AND PAYABLES**

At March 31, 2004, interfund receivables/payables resulted from interfund advances from the General Fund to the Enterprise Fund as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$206,845	\$ -
Sewer Fund	<u>-</u>	<u>206,845</u>
Total	<u>\$206,845</u>	<u>\$206,845</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 9: **RESERVED/DESIGNATED FUND BALANCES**

Reserved:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Road Improvement	Road improvements	\$248,255
Recreation	Recreation activities	10,799
Liquor Control	Liquor law enforcement	<u>213</u>
		<u>\$259,267</u>

Designated:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Water/Fire Hydrant	Water/Fire hydrant rental	<u>\$30,298</u>

NOTE 10: **RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for 100% of its claims.

The Township continues to carry worker's compensation insurance through the State of Michigan Accident Fund.

NOTE 11: **PENSION PLAN**

The Township provides pension benefits for all of its employees, including board members, meeting certain minimum requirements through a defined contribution plan sponsored by the Municipal Retirement Systems, Inc. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Township contributes to the Plan; the Plan does not provide for employee contributions.

The Township's contributions to the Plan include a component for current service plus a component for up to 10 years of prior service rendered before April 1, 1991. Contributions for current service are at 12 percent of current compensation. Contributions for prior service are computed at 1 percent of current compensation for each year of prior service.

The Township contributed \$5,409, including \$175 to cover pension administrative expenses, to the Plan during fiscal year 2004. This contribution was based on salaries of \$43,617 while total fiscal 2004 Township payroll was \$44,580. Contributions to the Plan are invested in annuities issued by insurance companies.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 12: COMMITMENTS

Ambulance Service: The Township has joined with other area townships and the City of St. Ignace to create the "St. Ignace Community Area Ambulance Service." This organization has in turn, contracted with Allied EMS Systems, Inc., to operate ambulance services in the community.

Payments under this contract are required annually at a stipulated rate per person residing in each political unit comprising the contracting group. Each political unit is required to pay its pro-rated share of operating loss (if any), on a monthly basis.

Payments under this contract were approximately \$17,278 for the year ended March 31, 2004.

Recreation Service: The Township has entered into a contract with the City of St. Ignace for recreation services. The contract expires December 31, 2004.

Payments under this contract are required annually at a stipulated rate per person residing in the Township. The rate is subject to change based on changes in the Consumer Price Index. U.S. Census data, updated annually by the State of Michigan, is used to determine the residential base of the Township.

Payment under this contract was approximately \$10,611 and was charged to the Recreation Fund.

Construction: The Township has entered into an agreement for the design of a new sewer system. The approximate cost for this project is \$298,000. As of March 31, 2004, the Township has incurred costs of \$137,478, leaving a commitment outstanding of approximately \$160,522.

Note Payable: The Township received \$85,000 from a local source, to be paid back interest free, upon receipt of grant monies for the construction of a sewer system.

NOTE 13: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to properly reflect prior year state shared revenue of \$5,375.

NOTE 14: NEW REPORTING STANDARD

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year ending March 30, 2005. The Township has not yet determined the full impact that adoption of GASB Statement will have on the financial statements.

NOTE 15: SUBSEQUENT EVENT

In July, 2004, the Township approved a bid for a new sewer system for approximately \$2,000,000. An official contract will be signed upon approval of federal funding.

ADDITIONAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments
which are not required to be accounted for in another fund.

**ST. IGNACE TOWNSHIP
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years Ended March 31, 2004 and 2003**

	2004	2003
Revenues:		
Taxes	\$ 39,641	\$ 28,444
State revenues	77,108	84,569
Local revenues	20,296	20,295
Charges for services	2,688	-
Interest	5,381	8,132
Other	2,384	274
Total revenues	<u>147,498</u>	<u>141,714</u>
Expenditures:		
Legislative:		
Township board	<u>4,143</u>	<u>3,260</u>
General government:		
Supervisor	11,802	10,003
Accounting and audit	5,401	4,990
Assessing	15,614	13,444
Clerk	10,547	9,364
Board of review	1,471	1,043
Treasurer	13,853	13,838
Elections	336	8,547
Planning & zoning	355	44
Building and equipment	4,037	12,099
Publishing	257	468
Insurance	4,135	3,606
Other	1,282	1,547
Total general government	<u>69,090</u>	<u>78,993</u>

ST. IGNACE TOWNSHIP
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
(Continued)
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Public safety:		
Fire protection	17,533	19,186
Ambulance	17,278	8,319
Other	960	960
Total public safety	<u>35,771</u>	<u>28,465</u>
Public works:		
Highway lighting	4,087	3,955
Sanitation	2,100	-
Cemetery	666	1,890
Total public works	<u>6,853</u>	<u>5,845</u>
Total expenditures	<u>115,857</u>	<u>116,563</u>
Excess (deficiency) of revenues over expenditures	31,641	25,151
Fund balance, beginning	383,302	363,619
Prior period adjustment	<u>5,375</u>	<u>(5,468)</u>
Fund balance, ending	<u><u>\$ 420,318</u></u>	<u><u>\$ 383,302</u></u>

SPECIAL REVENUE FUNDS

Used to account for resources restricted, due to legal or regulatory provisions or administrative action, to expenditures for special purposes.

**ST. IGNACE TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
March 31, 2004
With Comparative Totals for March 31, 2003**

	Recreation Fund	Road Improvement Fund	Liquor Control Fund	Water / Fire Hydrant Fund	Building Fund	Total	
						2004	2003
<u>Assets</u>							
Cash	\$ 10,799	\$ 239,593	\$ 213	\$ 30,298	\$ -	\$ 280,903	\$ 239,599
Taxes receivable	-	8,662	-	-	-	8,662	8,077
Total assets	<u>\$ 10,799</u>	<u>\$ 248,255</u>	<u>\$ 213</u>	<u>\$ 30,298</u>	<u>\$ -</u>	<u>\$ 289,565</u>	<u>\$ 247,676</u>
<u>Liabilities & Fund Equity</u>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272
Fund Equity:							
Reserved for road improvement	-	248,255	-	-	-	248,255	194,767
Reserved for recreation	10,799	-	-	-	-	10,799	21,130
Reserved for liquor control	-	-	213	-	-	213	140
Unreserved: Designated	-	-	-	30,298	-	30,298	31,367
Total fund equity	<u>10,799</u>	<u>248,255</u>	<u>213</u>	<u>30,298</u>	<u>-</u>	<u>289,565</u>	<u>247,404</u>
Total liabilities and fund equity	<u>\$ 10,799</u>	<u>\$ 248,255</u>	<u>\$ 213</u>	<u>\$ 30,298</u>	<u>\$ -</u>	<u>\$ 289,565</u>	<u>\$ 247,676</u>

**ST. IGNACE TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2004
With Comparative Totals for the Year Ended March 31, 2003**

	Recreation Fund	Road Improvement Fund	Liquor Control Fund	Water / Fire Hydrant Fund	Building Fund	Total	
						2004	2003
Revenues:							
Taxes	\$ -	\$ 45,082	\$ -	\$ -	\$ -	\$ 45,082	\$ 52,293
Federal revenue	-	21,470	-	-	-	21,470	10,068
State revenue	-	-	792	-	-	792	797
Interest	177	2,298	1	1,812	7	4,295	6,305
Other revenue	103	341	-	-	2,117	2,561	3,334
Total revenues	280	69,191	793	1,812	2,124	74,200	72,797
Expenditures:							
Current:							
Recreation	10,611	-	-	-	-	10,611	9,977
Public safety	-	-	720	2,000	-	2,720	2,720
Public works	-	15,703	-	-	3,276	18,979	71,811
Total expenditures	10,611	15,703	720	2,000	3,276	32,310	84,508
Excess (deficiency) of revenues over expenditures	(10,331)	53,488	73	(188)	(1,152)	41,890	(11,711)
Fund balances), beginning	21,130	194,767	140	30,486	1,152	247,675	268,942
Prior period adjustment	-	-	-	-	-	-	(9,827)
Fund balances, ending	<u>\$ 10,799</u>	<u>\$ 248,255</u>	<u>\$ 213</u>	<u>\$ 30,298</u>	<u>\$ -</u>	<u>\$ 289,565</u>	<u>\$ 247,404</u>

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**ST. IGNACE TOWNSHIP
TAX COLLECTION AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004**

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
<u>Assets</u>				
Cash	\$ -	\$ 562,121	\$ 562,121	\$ -
<u>Liabilities</u>				
Due to other governmental units:				
County	\$ -	\$ 85,887	\$ 85,887	\$ -
State of Michigan	-	102,532	102,532	-
Schools	-	255,983	255,983	-
I.S.D.	-	18,895	18,895	-
Hospital Authority	-	24,732	24,732	-
Total due to other governmental units	-	488,029	488,029	-
Due to other funds	-	71,792	71,792	-
Due to others	-	2,300	2,300	-
Total liabilities	\$ -	\$ 562,121	\$ 562,121	\$ -

ACCOUNT GROUP

General Fixed Asset Account Group –
To account for fixed assets not used in proprietary fund
Operations or which are not apart of the Township's infrastructure.

ST. IGNACE TOWNSHIP
GENERAL FIXED ASSET GROUP OF ACCOUNTS
STATEMENT OF GENERAL FIXED ASSETS
March 31, 2004

Assets

Property, plant and equipment :

Land	\$ 550
Building	129,349
Equipment	<u>12,713</u>

Total	<u><u>\$ 142,612</u></u>
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Fund Equity

Investment in general fixed assets	<u><u>\$ 142,612</u></u>
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Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

June 16, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Township Board
St. Ignace Township
Mackinac County, Michigan

We have audited the financial statements of St. Ignace Township, as of and for the year ended March 31, 2004, and have issued our report thereon dated June 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether St. Ignace Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Ignace Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan